

Central Market Cultural District Loan Fund Guidelines and Pre-Application Form

PROGRAM DESCRIPTION AND OBJECTIVES

The Central Market Cultural District Loan Fund (CDLF) will enable the City and County of San Francisco to provide \$11 million in HUD Section 108-guaranteed loan proceeds to support eligible projects that will contribute to the stabilization and revitalization of the Central Market and Tenderloin area. A primary emphasis will be on financing businesses and development projects that will enhance the area's cultural arts and entertainment functions, building on the economic assets already there and focusing on industries that have the ability to create and/or retain jobs for low- and moderate-income people.

The objectives of the program are to:

- Provide subordinated financing to eligible borrowers to fill a financing gap beyond the amount of private and equity investment that can be raised.
- Provide long term fixed rate financing at interest rates lower than conventional financing.
- Provide a means for revitalizing the disadvantaged areas of San Francisco.
- Create sources of new jobs.

PROGRAM DETAILS

A. Loan Amounts \$250,000 to \$1 million, with exceptional cases going as low as \$50,000 and as high as \$4 million. The recommended levels of participation for the project funding vary with the size of the transaction:

<u>Project Cost</u>	<u>% Section 108</u>	<u>Maximum</u>
Less than \$250,000	80% of Value/ Cost	\$200,000
\$250,000 to \$3 Million	40% of Value/ Cost	\$1 Million
Greater than \$3 Million	35% of Value/ Cost	\$1 Million

Example

Project Cost: \$2,000,000 (Real Estate)
Equity: \$400,000
Amount to Finance: \$1,600,000

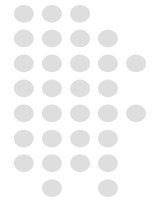
1st Mortgage (Conventional)

Amount: \$800,000
Rate: Market
Term: Minimum of 10 Years, if Real Estate

2nd Mortgage: (Section 108)

Amount: \$800,000 (up to 40%)
Rate: Fixed at Public Offering
Term: Up to 20 Years

B. Loan to Value The maximum loan to value is 80% based on current appraisals (no more than 90 days old) and reflecting fair market value.



- C. **Subordination** As long as the transaction conforms to the loan to value maximum, Section 108 loan may be subordinated in collateral.
- D. **Interest Rates** Interest rates are one and a half percent (1.5%) over the City's cost of funds. The cost of funds is approximately 60 basis points over the 10-year Treasury rate. For example, as of June 2, 2010, the cost to the borrower would be 5.45% = 1.5% plus .60 plus 3.35% (10-year treasury rate as of 6/2/2010).
- E. **Term** Up to 20 year maximum based on, but not limited to, cash flow, collateral, use of funds, and equity.
- F. **Geographic Scope** Slightly north and south of Market Street from 5th to 10th Streets and Tenderloin area within approximate boundaries of Mason, O'Farrell, and Larkin Streets. *See map below.*

G. Basic Eligibility Requirements

- For-profit or nonprofit commercial endeavors that will generate new jobs for low- and moderate-income people as a result of this investment
- Loan may be to a property owner or a tenant, at the City's discretion
- Priority will be given to businesses that anchor or complement the cultural district

H. Ineligible Businesses

- Adult Bookstores, theaters or adult/companion escort or entertainment services
- Liquor stores (convenience or grocery stores with alcohol more than 15% of inventory)
- Check cashing businesses and pawn shops
- Uses that have led to recurrent problems of public safety and welfare or that contribute to conditions to blight

I. Eligible Loan Uses

- Acquisition of real estate; new construction or rehabilitation; tenant and/or leasehold improvements
- Soft costs (such as legal and loan fees)
- Permanent working capital; inventory purchase, purchase of equipment and machinery
- Management assistance to enable the business to carry out the project

J. Loan Fees

A one and a half percent (1.5%) loan fee is assessed on the loan amount to capitalize interest payments, establish a debt service reserve fund, and pay for the costs of origination.

Borrower is also responsible for the appraisal, title, and other out-of-pocket expenses related to loan processing, approval, environmental assessment and documentation.

K. Job creation and retention requirement

It is a goal of the CDLF to create or retain quality permanent jobs as a result of the financial assistance provided. Section 108 program guidelines require a minimum of one permanent full-time equivalent (FTE) job for every \$50,000 in loan proceeds.

A job created is a new permanent position created and filled that provides 1,750 hours a year of employment. A job retained is an existing position that would have been lost were it not for the Section 108 loan proceeds. Part-time and seasonal employment positions are eligible. For example, two 20-hour a week positions would qualify as one FTE. Only compensated employment should be reported.

Job transfers resulting from businesses relocating to the Central Market and Tenderloin area do not satisfy the job creation and retention requirement.

A list of jobs including job descriptions, full-time equivalency, and employee names should be available for review during the term of the project until job requirements are met. Businesses may have up to five years from completion of project to meet job creation requirements.

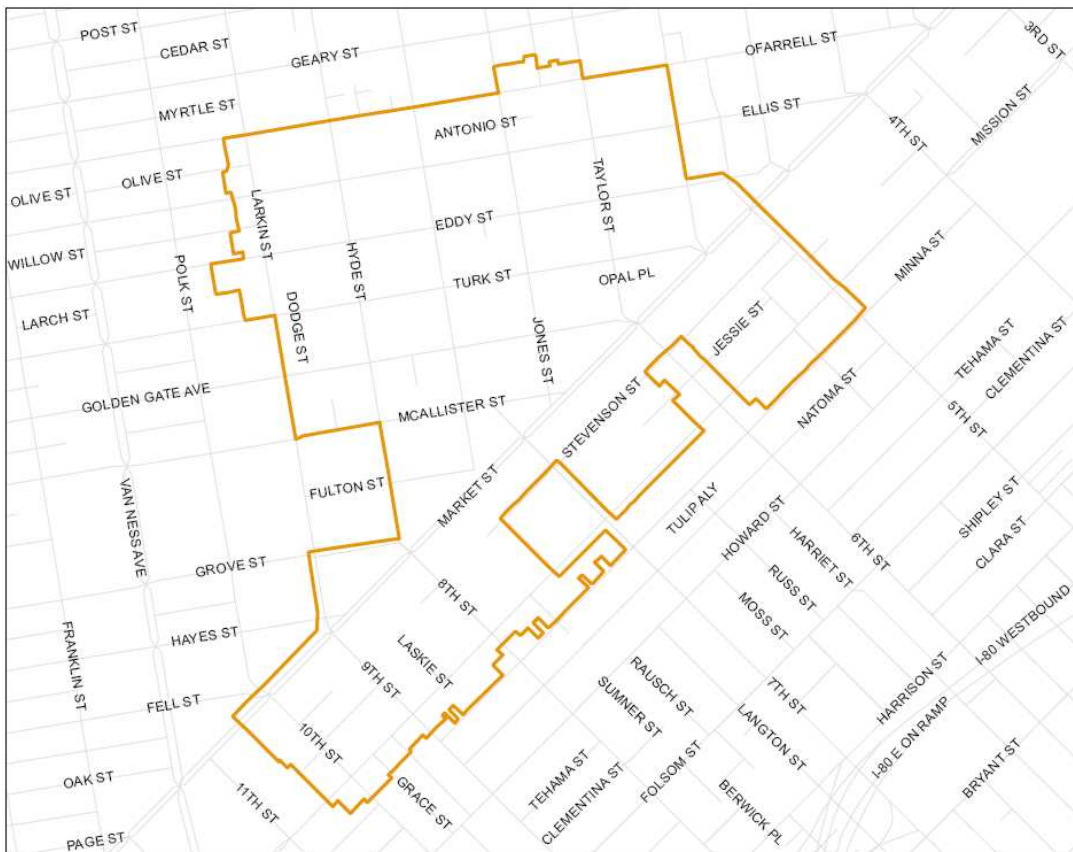
L. Environmental Assessment

Activities funded through this program are subject to the environmental review regulations contained in 24 CFR Part 58. All projects must have received final environmental clearance before funds can be committed by the Mayor's Office of Housing (MOH). The form of environmental clearance will vary depending upon the nature and extent of the project. Environmental clearances (ERR) include exemptions and Categorical Exclusions issued by MOH and Categorical Exclusions and Environmental Assessments approved by HUD. We will determine based on your project description the appropriate level of environmental review and refer you to qualified consultants to assist in the preparation.

M. Other Program Information

All Section 108 funded projects are required to comply with federal, state and local statutes, regulations, and requirements, including but not limited to the Davis-Bacon Act, Workers Compensation, and insurance requirements.

N. CDLF Geographic Boundaries



**CENTRAL MARKET CULTURAL DISTRICT LOAN FUND
PRE-APPLICATION FORM**

Please return completed pre-application to:

Amy Cohen
Office of Economic and Workforce Development
City Hall room 448, 1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
Fax 415-554-6018

Applicant(s) Name: _____

Application Site Street Address (if identified): _____

Applicant is (check all that apply): Tenant Developer Business Owner

Total project budget: \$ _____ **Loan amount requested:** \$ _____

Number of projected new jobs generated: _____ (1 job per \$50,000 borrowed minimum requirement)

Do you have specific time constraints related to this loan request? _____

For Developer Applicants ONLY:

Complete Address: _____

Phone / E-mail _____

Other properties/development experience: _____

Site Control Status: Lease (_____ years) Own Other: Describe _____

Do you have a tenant(s) committed? Y N If yes, list tenant and status below AND complete section on page 2 with tenant information.

Tenant 1 Name _____ Use _____

Lease (Start and end dates _____) Letter of Intent Other _____

Tenant 2 Name _____ Use _____

Lease (Start and end dates _____) Letter of Intent Other _____

For Business Owner Applicants or Proposed Tenants in Developer/Owner Application:

Business Name: _____

Complete (Current) Address (please include primary location and other locations):

Phone / E-mail: _____ Years In Business: _____ Start and End Date of Lease: _____

Proposed Address for New Location (if identified): _____

Site Control Status: _____ Lease (_____ years) _____ Own _____ Other: Describe _____

Do you have 3 years' financial statements prepared by a qualified third party such as a CPA that you are ready to submit? _____ Y _____ N

All Applicants:

1. Project Overview – Please describe the project for which you are applying for loan funds

2. Project Impact – Please describe how the project will benefit the Central Market/Tenderloin community, bring economic vitality to the area, and help catalyze the enhancement of a cultural district there.

3. Funding Sources Detail – Please provide a list of funding sources and their status

SOURCES (list by name)	\$ Amount	Identify if grant or loan	Identify status of commitment (<i>in hand, committed, identified, not yet identified</i>)
Section 108 Loan			
Applicant equity			
TOTAL SOURCES			